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Summary of Legislation

H B 308 INSURANCE POLICY AND CONTRACT LAW AMENDMENTS

Representative Todd Kiser, Chief Sponsor

Senator Thomas Hatch, Senate Sponsor

Background

Clarification of what Chapters 21 and 22 apply to (31A-21-101, Scope of Title 31A, Chapters 21 and 22; line 41).

- The four conditions applying to insurance policies, applications, and certificates are separate situations, however, the “and” at the end of (1)(c) has been construed to mean that for this section to apply, all four situations must be read together.

Insurers must follow the terms of their policies (31A-21-111, Insurers to follow terms of policy; lines 74-75).

- The Insurance Code does not currently contain specific language requiring insurers to follow the terms of the insurance policies that they issue. This basic assumption of insurance should be followed by all insurers, however, some have failed to be strictly bound by the language in the policies they issue. This new section explicitly states that insurers are bound to follow the terms of the insurance policies they issue.

Cancellation of insurance policies by insurers (31A-21-303, Cancellation, issuance, renewal; lines 132 and 164-165).

- Legislation under SB 48 in the 2005 session implemented changes in 31A-21-303. The changes specified certain criteria under which insurers could not cancel or non-renew a policy of personal insurance. In crafting this language, the 60-day cancellation provision under 31A-21-303 (2)(e) for the review of new business by insurers was inadvertently eliminated.

Personal injury protection coverages and benefits (31A-22-307, Personal injury protection coverages and benefits; lines 240-250)

- The Insurance Code requires insurers to provide a medical benefit under automobile coverage via Personal Injury Protection. Under 31A-22-307, the language indicates the “the reasonable value of all expenses. . . . not to exceed the total minimum required coverage of \$3,000 per person”. This language has been interpreted by some insurers as allowing them to offer less than the minimum \$3,000. This change clarifies that the minimum required PIP benefit for necessary medical, surgical, X-ray, dental, rehabilitation, including prosthetic devices, ambulance, hospital, and nursing services is \$3,000.

Effects of Legislation

Clarification of what Chapters 21 and 22 apply to (31A-21-101)

- Line 38, formatting change by Legislative Research.
- Line 41, clarifies that the four situations are applied separately when determining what insurance policies, applications, and certificates are included under Chapters 21 and 22.
- Lines 45-62, formatting change by Legislative Research.

Insurers must follow the terms of their policies (31A-21-111)

- Lines 74-75, adds a new section into the Insurance Code to require insurers to follow the terms of the insurance policies that they issue.

Cancellation of insurance policies by insurers (31A-21-303)

- Line 77, new section title by Legislative Research.
- Lines 132 and 164-165, reinstates the 60-day cancellation provision for the review of new business by insurers under 31A-21-303 (2)(e).

Personal injury protection coverages and benefits (31A-22-307)

- Lines 240 and 249-250, clarifies that the minimum required PIP benefit for necessary medical, surgical, X-ray, dental, rehabilitation, including prosthetic devices, ambulance, hospital, and nursing services is \$3,000.
- Lines 242-248, formatting change by Legislative Research.
- Lines 288-289, formatting change by Legislative Research.
- Line 308, formatting change by Legislative Research.

Benefits of Legislation

Clarification of what Chapters 21 and 22 apply to (31A-21-101)

- Clarifies that the four situations are applied separately when determining what insurance policies, applications, and certificates are included under Chapters 21 and 22.

Insurers must follow the terms of their policies (31A-21-111)

- Requires that insurers must follow the terms of their policies. Assures consumers that insurers are required to follow the terms of the insurance policies that they issue.

Cancellation of insurance policies by insurers (31A-21-303)

- Reinstates the 60-day cancellation provision for the review of new business by insurers under 31A-21-303 (2)(e).

Personal injury protection coverages and benefits (31A-22-307)

- Clarifies that the minimum required PIP benefit for necessary medical, surgical, X-ray, dental, rehabilitation, including prosthetic devices, ambulance, hospital, and nursing services is \$3,000.

Support for Legislation

- The Department has received no objections to the proposed changes in Sections 31A-21-101 and 31A-21-111.
- The property-casualty industry supports the changes in Sections 31A-21-303 and 31A-22-307.
- Senator Arent, sponsor of SB 48, supports the changes in Section 31A-21-303.